

## Message Text

UNCLASSIFIED

PAGE 01 EC BRU 00077 01 OF 02 061639Z

45

ACTION EUR-12

INFO OCT-01 ISO-00 AGR-10 CEA-01 CIAE-00 COME-00 DODE-00

EB-07 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04 TAR-01

TRSE-00 USIA-15 PRS-01 SP-02 FEAE-00 OMB-01 IO-10

XMB-04 /120 W

----- 123270

R 061213Z JAN 76

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 0244J

INFO ALL EC CAPITALS 1497

UNCLAS SECTION 1 OF 2 EC BRUSSELS 00077

PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, EEC

SUBJECT: COMMISSION PROPOSALS FOR CHANGES IN THE DAIRY AND GRAIN CAP

REF: (A) EC BRUSSELS 11315, (B) EC BRUSSELS 11316,

(C) EC BRUSSELS 11424

1. BEGIN SUMMARY: VOLUME II OF THE DOCUMENT SUBMITTED TO THE COUNCIL  
RE 1976/77 PRICES GIVES- IN THE FORM OF DRAFT REGULATIONS- FURTHER  
DETAILS OF THE COMMISSION'S PROPOSALS FOR THE GRAIN AND DAIRY  
SECTOR. THE PROPOSED 2 PERCENT MANDATORY INCORPORATION RATE  
FOR NFDM WOULD BE APPLIED TO ALL ANIMAL FEEDS EXCEPT CALF  
FEED. MEMBER STATES WOULD BE RESPONSIBLE FOR ENFORCEMENT.  
PRICES PAID BY INTERVENTION AGENCIES FOR NON FAT DRY MILK  
POWDER (NFDM) WOULD BE ALLOWED TO FLUCTUATE WITHIN A RANGE OF  
94-102 PERCENT OF THE PROPOSED GUIDE PRICE AFTER SEPTEMBER 16, 1976.  
WITH RESPECT TO GRAINS, A COMMON INTERVENTION PRICE WOULD BE  
ESTABLISHED FOR SOFT WHEAT, BARLEY,  
AND CORN BY 1977/78. TENDERS WOULD BE OPENED BY INTERVENTION

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 EC BRU 00077 01 OF 02 061639Z

AGENCIES TO KEEP MARKET PRICES FOR MILLING WHEAT ABOVE THE PROPOSED

REFERENCE PRICE. PER HECTARE SUBSIDIES WOULD REPLACE THE EXISTING PER UNIT PRODUCER SUBSIDIES FOR DURUM WHEAT AND HIGHER SUBSIDIES WOULD BE PAID IN THE LOW YIELD REGIONS OF SOUTHERN ITALY THAN ELSEWHERE. END SUMMARY.

2. VOLUME I OF THE DOCUMENT SUBMITTED BY THE COMMISSION TO THE COUNCIL WAS REPORTED IN REFS. A, B, AND C; THAT DOCUMENT PRESENTED AND DISCUSSED AT SOME LENGTH THE COMMISSION'S PROPOSALS FOR 1976/77 PRICES AND FOR A NUMBER OF RELATED MEASURES. SEVERAL DRAFT REGULATIONS WERE INCLUDED IN THAT DOCUMENT. VOLUME II OF THE COMMISSION DOCUMENT CONTAINS AN ADDITIONAL 31 DRAFT REGULATIONS WHICH WOULD IMPLEMENT THE PROPOSALS MADE IN VOLUME I. FOR THE MOST PART, THESE DRAFT REGULATIONS MERELY PUT THE PROPOSALS ALREADY DESCRIBED IN REFS. A, B, AND C IN LEGAL FORM; HOWEVER, THEY PROVIDE NEW INFORMATION ON THE MEASURES ENVISAGED BY THE COMMISSION IN THE DAIRY AND GRAIN SECTORS, WHICH IS PRESENTED IN THE SUBSEQUENT PARAGRAPHS. COPIES OF VOLUME II ARE BEING SENT TO JOHN MCCARTHY, EUR/RPE, DEPARTMENT OF STATE AND RICHARD SCHROETER, FAS, DEPARTMENT OF AGRICULTURE. IN ADDITION, THE TEXTS OF CERTAIN DRAFT REGULATIONS CONCERNING GRAIN AND DAIRY PRODUCTS WILL BE TRANSMITTED BY AIRGRAM.

3. DAIRY: MANDATORY INCORPORATION OF AT LEAST 2 PERCENT NFDM WILL BE IMPOSED ON ALL PRODUCERS OF ANIMAL FEEDS (ABOVE A CERTAIN LEVEL OF PRODUCTION CAPACITY YET TO BE DETERMINED) WITH RESPECT TO ALL ANIMAL FEEDS EXCEPT CALF FEEDS. THE DRAFT REGULATIONS SPECIFIES A PERIOD OF APPLICATION OF 8 MONTHS FOR THIS MEASURE. NFDM INCORPORATED IN ACCORDANCE WITH THESE OBLIGATION MUST BE PURCHASED FROM INTERVENTION AGENCIES. APPARENTLY, SUBSIDIES WILL NOT BE PAID FOR THE FEEDING OF THIS NFDM; INSTEAD THE PRICE CHARGED BY THE INTERVENTION AGENCY WILL BE REDUCED BY AN AMOUNT COMPARABLE TO THE SUBSIDY. ALSO, THERE IS PROVISION FOR ADJUSTMENT OF THE PURCHASE PRICES TO EQUALIZE THE COSTS TO ANIMAL FEED PRODUCERS IN DIFFERENT PARTS OF THE COMMUNITY (I.E., TO OFFSET TRANSPORT COSTS). NFDM SOLD UNDER THIS SCHEME IS TO BE DENATURED IN SUCH A WAY AS TO PREVENT ITS USE FOR HUMAN OR CALF CONSUMPTION. ALTHOUGH NO SPECIFIC ENFORCEMENT MECHANISM IS PROPOSED, THE MEASURE WOULD BE MANDATORY. AS IS THE CASE WITH MANY COMMUNITY REGULATIONS, THE DRAFT REGULATION STATES THAT MEMBER STATE GOVERNMENTS MUST TAKE THE NECESSARY ACTION TO ENSURE THAT IT IS IMPLEMENTED. SHOULD A MEMBER STATE FAIL TO FULFILL THIS OBLIGATION, THE COMMISSION COULD, UNDER

UNCLASSIFIED

PAGE 03 EC BRU 00077 01 OF 02 061639Z

ARTICLE 169 OF THE TREATY OF ROME, BRING THE MATTER BEFORE THE COURT OF JUSTICE.

4. AS NOTED IN REF. C, REPLACEMENT OF THE INTERVENTION PRICE FOR NFDM WITH A GUIDE PRICE IS PROPOSED BEGINNING SEPTEMBER 16, 1976. PRICES PAID BY THE INTERVENTION AGENCIES FOR NFDM, WHICH WILL BE DETERMINED ON THE BASIS OF TENDERS (TAKING INTO ACCOUNT THE MARKET SITUATION), CAN NOT EXCEED 102 PERCENT NOR BE LESS THAN 94 PERCENT

OF THE GUIDE PRICE. GIVEN THE COMMISSION'S PROPOSAL OF 938.70 U.A./M. T. FOR THE 1976/77 GUIDE PRICE FOR NFDN , THIS WOULD MEAN THE PRICE PAID FOR NFDN IN THE LAST HALF OF 1976/77 COULD FALL BELOW THAT CURRENTLY GUARANTEED (I.E., TO 882.38 U.A./M. T. VERSUS THE CURRENT INTERVENTION PRICE OF 887.00 U.A. /M.T.).

5. OTHER NOTEWORTHY FEATURES OF THE COMMISSION'S PROPOSALS IN THE DAIRY SECTOR AS SET FORTH BY THE DRAFT REGULATIONS OF VOLUME II ARE:

A. THE 1976/76 DAIRY YEAR WILL BE EXTENDED A MONTH AND THE 1976/77 YEAR WILL BEGIN MARCH 1, 1976.

B. SUBSIDIES FOR THE PRIVATE STORAGE OF BUTTER WOULD BE MADE OPTIONAL RATHER THAN, AS NOW, MANDATORY.

C. SUBSIDIES FOR THE WITHHOLDING OF MILK FROM THE MARKET ARE TO BE MADE CONTINGENT ON A COMMITMENT BY THE FARMER, FOR A PERIOD OF 5 YEARS, NOT TO DELIVER MILK OR MILK PRODUCTS ON THE MARKET AND NOT TO LEASE FORAGE LAND OR SELL FORAGE TO OTHER FARMERS. THE PERIOD OF WITHHOLDING WILL BEGIN SIX MONTHS AFTER THE FARMER'S APPLICATION IS MADE. AN AMOUNT EQUAL TO 36 PERCENT OF THE TOTAL SUBSIDY WILL BE PAID DURING THE FIRST THREE MONTHS OF THE PERIOD OF WITHHOLDING; THE REST WILL BE PAID IN 4 YEARLY INSTALLMENTS OF 16 PERCENT EACH. THE COST OF THIS MEASURE TO FEOGA (50 PERCENT OF THE TOTAL) IS ESTIMATED AT 160 MILLION U.A.; THIS AMOUNT WILL BE CHARGED TO THE GUIDANCE (OR " ORIENTATION") PORTION OF THE FUND. THE COMMISSION INDICATES THAT THE MEASURE WILL BE TERMINATED AT THE END OF 1976.

D. THE SUBSIDY OF 15 U.A. /100 KG. FOR THE PRODUCTION OF WHOLE MILK POWDER WILL APPLY TO MILK POWDER WITH A MINIMUM OF 26 PERCENT BUTTERFAT: IT WILL BE APPLIED ONLY FOR THE 1976/77 DAIRY MARKETING YEAR.

UNCLASSIFIED

UNCLASSIFIED

PAGE 04 EC BRU 00077 01 OF 02 061639Z

E. AS IN 1976/76, A CONSUMER SUBSIDY OF 45 U.A./100 KG. WILL BE PERMITTED; HOWEVER, THE MAXIMUM CONTRIBUTION OF FEOGA TO THIS SUBSIDY WILL RISE FROM 9.25 TO 10.66 U.A./100 KG. BUT FEOGA'S CONTRIBUTION WILL BE LIMITED TO BUTTER OF EC ORIGIN.

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 EC BRU 00077 02 OF 02 061637Z

45

ACTION EUR-12

INFO OCT-01 ISO-00 AGR-10 CEA-01 CIAE-00 COME-00 DODE-00

EB-07 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04 TAR-01

TRSE-00 USIA-15 PRS-01 SP-02 FEAE-00 OMB-01 IO-10

XMB-04 /120 W

----- 123254

R 061213Z JAN 76

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 0245V

INFO ALL EC CAPITALS 1498

UNCLAS SECTION 2 OF 2 EC BRUSSELS 00077

PASS AGRICULTURE

6. GRAINS: THE DRAFT REGULATIONS SUBMITTED IN VOLUME II BRING INTO CLEARER FOCUS THE NEW GRAIN PRICE SYSTEM PROPOSED BY THE COMMISSION (REPORTED IN REF B). THE COMMISSION WOULD STABLISH A COMMON INTERVENTION PRICE FOR SOFT WHEAT, BARLEY, AND CORN. THE COMMISSION'S PROPOSALS FOR 1976/77 WOULD MOVE THESE PRICES MUCH MORE CLOSELY TOGETHER; HOWEVER, FULL ALIGNMENT OF THESE PRICES WOULD NOT BE REQUIRED UNTIL 1977/78. A COMMON TARGET PRICE WOULD BE ESTABLISHED FOR BARLEY AND CORN (AND, IN FACT, THE 1976/77 PRICE PROPOSALS WOULD BRING THIS INTO BEING). AS NOTED IN REF. B, A REFERENCE PRICE WOULD BE ESTABLISHED FOR MILLING QUALITY WHEAT, AND REGIONALIZED OR DERIVED INTERVENTION PRICES FOR SOFT WHEAT WOULD BE ABOLISHED. THE REFERENCE PRICE IS TO BE ESTABLISHED ON THE BASIS OF THE COMMON INTERVENTION PRICE FOR SOFT WHEAT, BARLEY AND CORN PLUS AN AMOUNT REFLECTING THE DIFFERENCE BETWEEN THE YIELDS OF MILLING WHEAT

AND THOSE OF THE HIGH-YIELDING BUT LOW QUALITY WHEAT VARIETIES. IN THE ABSENCE OF A COMMON INTERVENTION PRICE FOR THE 3 GRAINS IN 1976/77, THE BARLEY INTERVENTION PRICE WAS USED AS THE STARTING UNCLASSIFIED

UNCLASSIFIED

PAGE 02 EC BRU 00077 02 OF 02 061637Z

POINT FOR THE CALCULATION OF THE REFERNCE PRICE.

7. UNDER THE NEW SYSTEM, TARGET PRICES WOULD BE ESTABLISHED BY ADDING TO THE INTERVENTION PRICE ( OR REFERENCE PRICE, IN THE

CASE OF SOFT WHEAT) A " MARKET ELEMENT" AND AN ELEMENT REFLECTING THE COST OF TRANSPORT FROM ORMES (FRANCE) TO DUISBOURG (GERMANY). IN THE CASE OF SOFT WHEAT, DURUM WHEAT, AD RYE, THE " MARKET ELEMENT" WOULD REPRESENT THE DIFFERENCE BETWEEN THE INTERVENTION OR REFERENCE PRICE AND THE MARKET PRICE, " UNDER NORMAL CONDITIONS OF PRICE FORMATION" , OF THE EC'S LARGEST SURPLUS ZONE. IN THE CASE OF CORN AND BARLEY, THIS ELEMENT WOULD REPRESENT THE DIFFERENCE BETWEEN COMMON INTERVENTION PRICE AND THE MARKET PRICE (UNDER NORMAL CONDITIONS, ETC.) OF BARLEY INCREASED BY AN AMOUNT REFLECTING THE DIFFERENCE BETWEEN BARLEY AND CORN PRICES THAT OUGHT TO EXIST OWING TO THEIR DIFFERING FEED VALUES.

8. THE REFERENCE PRICE FOR MILLING WHEAT WOULD SERVE AS A SORT OF GUAGE BY WHICH TO JUDGE THE DEVELOPMENT OF THE MARKET AND THUS GIVE AN INDICATION OF WHEN SPECIAL INTERVENTION MEASURES ARE APPROPRIATE. THESE SPECIAL INTERVENTION MEASURES WILL BE UNDERTAKEN BY MEANS OF A TENDER SYSTEM WHEREBY INTERVENTION AGENCIES WILL OPEN TENDERS TO BUY MILLING SOFT WHEAT WITH "SPECIFIC QUALITATIVE AND TECHNOLOGICAL CHARACTERISTICS". (THESE CHARACTERISTICS WERE NOT FURTHER DEFINED, HOWEVER, AND IT REMAINS TO BE SEEN IF THE COMMISSION WILL BE ABLE TO DEVELOP THE NECESSARY EXPERTISE TO DISTINGUISH BETWEEN MILLING AND NON-MILLING QUALITY WHEAT VARIETIES BY THE START OF 1976/77.) SALES OF GRAINS BY THE INTERVENTION AGENCIES (WHETHER ACQUIRED AS A RESULT OF SPECIAL OR REGULAR INTERVENTION MEASURES) WOULD ALSO BE HANDLED HENCEFORTH THROUGH THE TENDER SYSTEM ALTHOUGH PROVISION IS MADE FOR SALE BY OTHER METHODS WITH COUNCIL APPROVAL. IT SHOULD BE NOTED THAT THE DRAFT REGULATIONS WOULD EMPOWER THE COMMISSION TO INITIATE SPECIAL INTERVENTION MEASURES ; AT PRESENT , THEY MAY ACT ONLY UPON MEMBER STATES REQUEST.

9. THE COMMISSION PROPOSES TO REPLACE THE EXISTING PER UNIT PRODUCER SUBSIDY FOR DURUM WHEAT (24.92 U.A. /M. T. IN 1976/76) WITH A PER HECTARE SUBSIDY. PAYMENT OF THIS SUBSIDY WOULD BE LIMITED TO SPECIFIED ADMINISTRATIVE REGIONS. REGIONS WITH AVERAGE YIELDS OF LESS THAN 2.2 M.T. PER HECTARE (SOUTHERN ITALY) WOULD RECEIVE 42 U.A. PER HECTARE ; THOSE WITH AVERAGE YIELDS BETWEEN 2.2 TO 3 M.T. PER HECTARE (NORTHERN ITALY AND FRANCE) WOULD RECEIVE UNCLASSIFIED

UNCLASSIFIED

PAGE 03 EC BRU 00077 02 OF 02 061637Z

A SUBSIDY

OF 21 U.A. PER HECTARE. THE COMMISSION ALSO PROPOSES THAT THE GRANTING OF THE SUBSIDY SHOULD BE LIMITED TO VARIETIES SUITABLE FOR MANUFACTURE INTO PASTA AND THAT THE MEMBER STATES INSTITUTE A REGIME OF ADMINISTRATIVE CONTROL TO ENSURE THAT THE CRITERIA FOR GRANTING THE SUBSIDY ARE MET.

10. REF B. REPORTED THAT PROPOSED MONTHLY PRICE INCREASES FOR GRAINS FOR 1976/77 WERE THE SAME AS THE INCREASES APPLIED IN 1975/76; IN FACT, THEY ARE .02- .03 U.A. /M. T. HIGHER. NOTE THAT THESE INCREASES WOULD ALSO BE APPLIED TO THE PROPOSED

REFERENCE PRICE FOR MILLING WHEAT.  
GREENWALD

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** AGRICULTURAL PRODUCTION, DAIRY PRODUCTS, PRICES, AGRICULTURAL PRICE SUPPORTS, GRAINS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 06 JAN 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976ECBRU00077  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760004-0045  
**From:** EC BRUSSELS  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760184/aaaacwqu.tel  
**Line Count:** 279  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 6  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 EC BRUSSELS 11316, 75 EC BRUSSELS 11315, 75 EC BRUSSELS 11424  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** castelsl  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 26 JUL 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <26 JUL 2004 by barnescd>; APPROVED <13 AUG 2004 by castelsl>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** COMMISSION PROPOSALS FOR CHANGES IN THE DAIRY AND GRAIN CAP  
**TAGS:** EAGR, EEC  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006